

Siegfried Reports Growth in Sales, Margins and Earnings



- Siegfried Group reports sales of 794.3 million Swiss francs for the 2018 financial year, corresponding to growth of 5.8 percent.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to 127.4 million Swiss francs, an increase of 14.5 percent.
- EBITDA margin of 16.0 percent represents a plus of 1.2 percentage points.
- Net income of 57.5 million Swiss francs is significantly above that of the previous year (40.8 million Swiss francs), representing growth of 40.9 percent.
- Operating cashflow also grew significantly to 106.0 million Swiss francs, an increase of 25.2 percent.
- The Board of Directors recommends to the Annual Meeting 2019 a higher distribution to shareholders from capital contribution reserves of 2.60 Swiss francs (previous year: 2.40 Swiss francs).

Key Figures

	2018	2017 ¹	Change CHF (LC)
Net sales (million CHF)	794.3	750.5	+5.8% (+4.4%)
Gross profit (million CHF)	156.5	138.8	12.8%
Gross profit margin (%)	19.7%	18.5%	
Results before special effects ²			
EBITDA (million CHF)	127.4	111.3	14.5%
EBITDA margin (%)	16.0%	14.8%	
EBIT (operating result) (million CHF)	77.8	61.9	25.7%
EBIT margin (%)	9.8%	8.3%	
Net profit (million CHF)	57.5	40.8	40.9%
Net profit-margin (%)	7.2%	5.4%	
Non-diluted earnings per share (CHF)	13.81	10.28	34.3%
Diluted earnings per share (CHF)	13.38	9.97	34.2%
Results after special effects			
EBITDA (million CHF)	125.9	111.3	13.1%
EBITDA margin (%)	15.8%	14.8%	
EBIT (operating result) (million CHF)	76.3	61.9	23.2%
EBIT margin (%)	9.6%	8.3%	
Net profit (million CHF)	56.3	40.8	37.9%
Net profit-margin (%)	7.1%	5.4%	
Non-diluted earnings per share (CHF)	13.52	10.28	31.5%
Diluted earnings per share (CHF)	13.10	9.97	31.4%
Cash flow from operating activities (million CHF)	106.0	84.6	25.2%
Free cash flow (million CHF)	46.0	32.3	42.1%
Investment in property, plant and equipment and intangible assets (million CHF)	60.1	52.8	13.7%
	December 31, 2018	December 31, 2017 ¹	Change
Equity (million CHF)	678.8	667.8	1.6%
Total assets (million CHF)	1 103.1	1 071.0	3.0%
Equity ratio (%)	61.5%	62.4%	
Employees (number of FTEs)	2 294	2 260	1.5%

¹ Restatement see accounting policies – Employee benefits.

² Restructuring costs Siegfried Evionnaz.

The Siegfried Group reported a good result for the 2018 financial year, the best in its corporate history. Sales amounted to 794.3 million Swiss francs, corresponding to a growth of 5.8 percent. Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 14.5% to 127.4 million Swiss francs, corresponding to an EBITDA margin of 16.0 percent (2017: 14.8 percent). Earnings, therefore, again grew faster than sales. Siegfried achieved a significantly higher net profit of 57.5 million Swiss francs (2017: 40.8 million Swiss francs), an increase of 40.9%.

The Board of Directors recommends to the Annual Meeting a higher distribution to shareholders of 2.60 Swiss francs per registered share, structured as a distribution from capital contribution reserves (previous year: 2.40 Swiss francs).

Higher Operating Cashflow

For 2018, Siegfried reports an operating cashflow after change in net working capital of 106.0 million Swiss francs (2017: CHF 84.6 million), corresponding to an increase of 25.2%. Investments in tangible and intangible fixed assets amounted to 60.1 million Swiss francs (2017: CHF 52.8 million).

Robust Growth

Drug substances and corresponding intermediates represent about three quarters of Siegfried's sales, and drug products about one quarter. The growth of approximately six percent (4.5% adjusted for currencies) is robust. Siegfried showed a slight growth in drug substances and a strong growth in sterile filling of liquids (vials, ampoules, cartridges and others) and solid dosage forms (tablets and capsules). Siegfried's business with drug substances, for the first time, includes sales from products manufactured at the Nantong site.

Siegfried will Continue to Invest

As an answer to the increasing demands from Siegfried's customers and to take the best possible advantage of the opportunities provided by a growing market, the Siegfried Group continues to strengthen its technological capabilities and further integrates its production activities across the entire network of manufacturing sites. Therefore, in the year under review, Siegfried invested in research & development and in additional production capacity. In Zofingen, some 40 new laboratory workplaces were put into operation in November 2018 and are now gradually being occupied according to market needs. The Hameln site is currently developing additional capabilities and capacity that will be used for the aseptic filling of biological drug substances. Corresponding customer contracts have been signed. In St. Vulbas, near Lyon, Siegfried invested in the adjustment and expansion of production facilities to process a large customer order. The product was formerly produced at our production site in Pennsville only. In addition, Siegfried invested in optimizing internal business processes. In early 2018, the company took into operation a new packaging and warehouse building in Irvine. In October 2018, a new logistics center was inaugurated in Zofingen which will simplify processes at the site. In the course of the fourth quarter, the Hameln site was successfully integrated into Siegfried's worldwide SAP network.

For the current year, in order to meet the requirements of the intended growth, Siegfried is planning to make additional investments in its technological capability, optimization of business processes and additional production capacity.

Focus on Further Growth

Consolidation in the CDMO market will continue to proceed considering that today the ten leading CDMO companies have a market share of below 20 percent and size in this industry represents competitive advantage. Consequently, for Siegfried, achieving and continuing to expand critical size remains a core element of its corporate strategy to assert and further expand its position at the forefront of the segment. It is Siegfried's target to profitably grow organically in line with the market, with the ambition to outgrow it including selective and value-accretive M&A. As defined in its current "Evolve" strategy, Siegfried aims to make acquisitions in the field of both, drug substances and drug products. It remains a primary goal to offer both services – chemical and pharmaceutical development and large-scale production – as an integrated offering from a single source and thereby simplifying our customers' supply chains and making them more efficient.

Positive Outlook

For the current financial year, at constant currencies, the Siegfried Group expects to grow sales at least in the mid single-digit range and to continue to improve the operating earnings margin (EBITDA).

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www.siegfried.ch/medienmitteilungen

Annual Report Microsite

report.siegfried.ch

About Siegfried

The Siegfried Group is active worldwide in the field of Life Sciences with production facilities located in Switzerland, the USA, Malta, China, Germany and France. At the end of 2018, Siegfried reported annual sales of CHF 794.3 million and employs at the time being approximately 2350 employees at nine locations on three continents. Siegfried Holding AG is listed on the Swiss Exchange (SIX: SFZN).

Siegfried is active in both the primary and secondary production of drugs. The company manufactures active pharmaceutical ingredients for the research-based pharmaceutical industry as well as the corresponding intermediates and controlled substances, and provides development and production services for finished dosage forms including aseptic filling.

Cautionary Statements Regarding Forward-Looking Statements

This press release may contain forward-looking statements based on current assumptions and forecasts made by Siegfried Group management and other information currently available to the Siegfried Group. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Siegfried Holding AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2018	2017 ¹
Net sales	26	794 297	750 468
Cost of goods sold		-637 769	-611 657
Gross profit		156 528	138 811
Marketing and sales costs		-16 122	-16 228
Research and development costs		-27 471	-25 631
Administration and general overhead costs		-43 350	-41 290
Other operating income	19	6 733	6 264
Income of associated companies		-38	-8
Operating result		76 280	61 918
Financial income	20	74	35
Financial expenses	20	-3 661	-3 994
Exchange rate differences	20	-2 529	-96
Profit before income taxes		70 164	57 863
Income taxes	6	-13 854	-17 041
Net profit		56 310	40 822
Non-diluted earnings per share (CHF)	21	13.52	10.28
Diluted earnings per share (CHF)	21	13.10	9.97

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

¹ Restatement see accounting policies – Employee benefits.

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2018	2017 [†]
Assets			
Non-current assets			
Property, plant and equipment	2	520 597	500 209
Intangible assets	3	10 625	9 425
Investments in associated companies and joint ventures	4	416	475
Financial and other non-current assets	5	579	3 483
Employer contribution reserves	17	8 617	9 222
Deferred tax assets	6	28 402	34 645
Total non-current assets		569 236	557 459
Current assets			
Inventories	7	227 546	248 294
Trade receivables	8	217 009	189 160
Other current assets		38 566	35 403
Accrued income and prepaid expenses		6 373	6 034
Current income taxes		3 992	192
Securities		30	30
Derivative financial instruments	9	477	296
Cash and cash equivalents		39 880	34 137
Total current assets		533 873	513 546
Total assets		1 103 109	1 071 005
Liabilities and equity			
Equity			
Share capital		8 514	8 422
Treasury shares		-56 139	-21 601
Capital reserves		79 668	74 193
Hybrid capital		255 985	255 985
Retained earnings		390 749	350 789
Total equity		678 777	667 787
Non-current liabilities			
Non-current financial liabilities	12	110 000	100 000
Non-current provisions	13	28 917	16 951
Deferred tax liabilities	6	8 559	6 948
Other non-current liabilities	14	1 576	1 392
Non-current pension liabilities	17	123 986	130 197
Total non-current liabilities		273 038	255 488
Current liabilities			
Trade payables		69 344	71 316
Other current liabilities	16	31 887	19 221
Accrued expenses and deferred income	15	34 548	44 874
Derivative financial instruments	9	-	97
Current pension liabilities	17	499	406
Current provisions	13	10 598	6 917
Current income tax liabilities		4 418	4 899
Total current liabilities		151 294	147 730
Total liabilities		424 332	403 218
Total liabilities and equity		1 103 109	1 071 005

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

[†] Restatement see accounting policies – Employee benefits.

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)

	Notes*	2018	2017 ¹
Net profit		56 310	40 822
Depreciation and impairment of PP&E and intangible assets	2,3	49 607	49 374
Change in provisions	13	336	-8 850
Other non-cash items		1 118	-777
Share-based payments	18	7 382	4 891
Exchange rate differences	20	2 529	96
Financial income	20	-73	-35
Financial expenses	20	3 661	3 994
Income taxes	6	13 854	17 042
Income of associated companies	4	38	8
Net result on disposal of property, plant and equipment		187	-
Change in net working capital:			
Trade receivables		-27 274	-33 734
Other current assets and accruals		-4 487	-4 091
Inventories		19 849	1 241
Trade payables		-1 406	14 313
Other current liabilities and accruals		2 651	8 925
Payments out of provisions and pension liabilities		-6 581	-6 521
Income taxes paid		-11 700	-2 066
Cash flow from operating activities		106 001	84 632
Purchase of property, plant and equipment	2	-58 779	-51 918
Proceeds from disposal of property, plant and equipment		9	545
Purchase of intangible and other assets	3	-1 274	-922
Acquisition of Group companies	2, 3, 27	-4 754	-
Investments in financial fixed assets	5	2 895	14
Interest received		38	23
Dividend received		36	12
Cash flow from investing activities		-61 829	-52 246
Free cash flow²		45 956	32 337
Capital increase		2 025	1 371
Change in financial liabilities	12	10 000	9 024
Change in other non-current liabilities		-166	-448
Purchase/Disposal of treasury shares, net		-29 439	-19 894
Interest paid and bank charges		-10 390	-12 241
Dividend to the shareholders of Siegfried Holding AG		-9 964	-7 831
Cash flow from financing activities		-37 934	-30 019
Net change in cash and cash equivalents		6 238	2 367
Cash and cash equivalents 1/1/		34 137	31 636
Net effect of exchange rate changes on cash		-495	344
Cash and cash equivalents 31/12/		39 880	34 137

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¹ Restatement see accounting policies - Employee benefits.

² Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.